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## The evaluation of European Union structural support

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### Abstract

The analysis performed in the paper is aimed at improvement of the quality, efficiency and consistency of EU structural support for Lithuania as well as implementation of the strategy and the action programs. Considering the impact of the received EU structural support a key objective is to evaluate positive and negative impact of the support, assess support efficiency and identify whether the aims have been achieved. Evaluation of EU structural support has to be not only country-wide, but also region-wide. Also, it is important to evaluate the use of EU structural support in the lowest level – Lithuanian municipalities that directly influence economic and social gap reduction between regions by dealing with Regional Development Planning documents. Purpose of paper is to analyse the absorption of EU structural support at Lithuanian municipalities level, to analyse the positive and negative impact, and further development of effective use of structural support at municipality level. The research methods used in the work include the analysis of the scientific literature and statistical data, analysis of legal documents, comparative analysis, questionnaire survey, summarizing and comparison.

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### 1. Introduction

EU regional policy is basically performed following the principles and rules common of all structural policy. In both national and EU levels, regional policy is usually based on co-called market mistake argument. It means that market forces cannot smooth out economic imbalances because mobility of factors of production is not high enough. The mobility is restricted by languages and cultural differences between countries and regions. That is why people

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usually move after workplaces, which causes big gaps of unemployment and income level in different regions. Later, EU regional policy was refocused to the direction of efficiency and had to become a regional dimension of general economic policy (Dumčiuvienė, 2010).

Lithuania receives the support under the Convergence aim for national programs as NUTS II region where GDP per capita is lower than 75 per cent of EU average. Also, Lithuania receives the support from Cohesion Fund since total national income per capita is lower than 90 per cent of the EU average. EU structural support for Lithuania during the period of 2007–2013 was provided following the Lithuanian EU structural support absorption strategy for 2007-2013 and the action programs aimed at implementation of the strategy. Lithuania is one of the countries that fast absorb EU funds. However, hasty support absorption can cause different effects – from small to no effect or even negative effects on national economics (Jurevičienė, Pileckienė, 2013). EU structural funds are large by their volume and they influence both public and private sectors, so constant evaluation of absorbed funds and benefits obtained from them is extremely important as well as exploiting of the opportunities to improve the absorption.

## 2. Benefits and drawbacks of EU structural fund using

In order to use the structural funds efficiently, rational and economic-based strategic planning is extremely important. While performing strategic planning of the regions, the vision and mission should be clearly defined. This would enable to follow a systematic approach seeking for the regional progress (Puidokas, Daukaitė, 2013). The project funded by the EU can be efficient and can promote the growth only when the institutions operating in the supported regions and implementing the projects are high-skilled (Aiello, Pupo, 2009). It is important that EU funds are efficiently used all over the country, and the mechanisms created match national priorities. However, the projects are selected by defined criterions but not by the market needs which can change faster than lasts the period of project design and implementation. The real beneficiaries are often not the ones to whom the support is designed. It happens when a big amount of funds designed for one sector artificially raises the demand for resources in another sector, so the price also rises. This way, resource suppliers become real beneficiaries (Dumčiuvienė, Stravinskas, 2012), Mohl, Hagen, (2011).

Analysing structural funds and economic gaps, Aiello & Pupo, (2009) found that regional gaps did not change during the time. The aim defined in the European cohesion policy was not achieved, i.e. it did not help to reduce the gaps inside each member-country.

Analysing the impact of EU structural funds on direct foreign investment, Jurevičienė & Pileckienė, (2013) found that EU structural funds have a positive impact on attraction of direct foreign investment. The research in the impact of EU support in the level of companies revealed that the biggest part of companies would have implemented their projects even if they had not received any EU funding, but they would have been forced to look for other ways to reduce the costs of the projects. Some companies use EU funds for implementation of secondary projects. The authors note that EU support can distort company's motivation to invest, so companies should focus on the main but not on secondary projects.

As it can be seen from the analysis of the scientific literature, the benefits from EU support sometimes gain a negative shade. Of course, EU funds contribute to growth, but in practice, it not always works because the support is poorly managed or used for improper investment. EU funds really contribute to convergence, but only if favourable institutional environment is ensured (Burneika, 2012), (Tron, 2013), (Hiejman, Koch, 2011). Also, EU funds have a positive impact when they are used for the investment in the regions with, at least, basic industrial structure and a small agricultural sector. It should be noted that EU funds have a bigger impact on convergence increase in low income generating regions, but have less significant impact on high income generating regions (Marzinotto, 2012).

Summarizing, it can be stated that the impact of EU structural funds is more positive than negative, although some authors emphasize that not all EU member-states receive equal EU structural support, and the benefits of the use of EU structural funds on the country much depend on the ability of the country to use the funds purposefully and efficiently. It is proposed that EU funds can contribute to economic growth of the country as well as development of gap reduction, but only on condition that the use of the funds supplements a reasonable growth-oriented economic policy (Lithuanian Free Market Institute, 2011), (Kazėnas, 2008).

### **3. The assessment of the European Union support in Lazdijų district municipality**

With reference to the procedure of preparation and confirmation of the planning documents for regional development established by The Law on Lithuanian Regional Development, Lazdijų District Municipality, by the decision of Lazdijų Municipal Council, dated June 29, 2011, confirmed the Lazdijų District Municipality Strategic Development Plan for 2011-2010 (further in the text – the strategic development plan). During the programming period of 2007-2013, i.e. since 2007 up to now, the projects in Lazdijų District Municipality have been funded by three EU structural support action programs: Cohesion, Human Resources Development and Economic Growth action programs ([www.esparama.lt](http://www.esparama.lt)).

The majority of the projects have been funded by the Cohesion action program, i.e. the projects submitted for funding following this program received 87 per cent of the total value of all projects that have been implemented in Lazdijų District Municipality. The total value of these projects makes 81.07 million Litas (29 projects). The funding for the projects that were submitted by the Economic Growth action program made 6 per cent, and their value made 5.64 million Litas. Finally, the projects that were submitted for funding by the Human Resources Development action program received 7 per cent of the funds, i.e. 6.42 million Litas.

During the analysed period, the projects supported from EU structural funds in Lazdijų District Municipality were implemented in schools (6 projects), Lazdijų District Municipality Administration (30 projects), public institutions (5 projects) and other institutions (6 projects). The share of EU funding assigned for the projects implemented in Lazdijų District Municipality Administration makes 97 per cent which means that schools often have opportunities to implement the projects that are funded by 100 per cent.

Comparing the share of the funds for finished projects and the share of EU funds paid for the projects, it can be seen that EU support for the finished projects was not absorbed by 100 per cent, and the difference is 1.27 million Litas. However, it makes only 3.9 per cent of project funding from EU, and this indicator is rather high. The difference between the funds for the projects that are still being carried out and the share of EU funds paid for these projects is much bigger. So far, slightly more than 66 per cent (66.67 per cent) of the funds assigned for these projects have been paid. However, the period of project implementation has not finished, therefore it can be expected that the statistics on the absorption of EU support for unfinished projects will not lag behind the statistics on EU support absorption for the finished projects.

The projects of Lazdijų District Municipality financed from EU structural funds are implemented following the aims that have been defined in the strategic development plan. That is why evaluation of the strategic development plan indicators should be carried out periodically, considering whether the defined indicators are followed purposefully, whether the projects have been prepared and implemented properly, whether the funds have been absorbed efficiently.

### **4. Method**

For the comprehensive evaluation of EU structural support absorption problems and opportunities, the survey of the employees working in the organisations that implement EU projects in Lazdijų District Municipality was carried out. A study was carried out in five stages: identifying the priorities, objectives and targets approved by Lazdijų District Municipality in the development of regional planning documents; evaluating the implementation of the 2007-2013 Lazdijų District Municipality projects by analysing statistical data; analysing and summarizing the development and achievements of the Strategic Plan during 2011-2012 period; carrying the questionnaire survey of the staff implementing EU projects in the Lazdijų District Municipality; performing the SWOT analysis from the data obtained.

The personnel in public sector, who develop applications, administer and participate in on-going projects were interviewed (from schools, municipal administration, libraries, public institutions).

It were selected 11 public sector organizations (the administration of Lazdijų District Municipality, Lazdijų District schools, libraries, cultural centers and other public bodies), as these institutions are implementing EU projects aimed at regional development planning documents. A questionnaire survey was sent to 64 respondents who are directly involved in the implementation of EU project. The responses were received from 52 respondents (

82.6 per cent from accounted respondents ), so it can be concluded that the results will reflect a given population. The aim of the survey was to find out the opinion of the project executives on the problems, opportunities, advantages and disadvantages of EU support absorption. Summarizing the data of the survey, it can be stated that the impact of EU structural support in Lazdijai District Municipality is rather big; it is especially high in the field of educational system improvement. However, considering the aims defined in the strategic development plan, various other fields that promote regional development, creation of new workplaces and investment growth should be funded as well.

For summarizing the results of the research and evaluation, the method of SWOT analysis was selected. This complex analysis of internal and external factors includes the structured analysis of a particular situation or advantages, disadvantages, opportunities and threats; its data and insights are the basis for the formation of strategic and action plans.

#### 4. Results

The SWOT analysis of EU structural support absorption in Lazdijai District Municipality reflects the main aspects of strengths, weaknesses, opportunities and threats (see Table 1).

Table 1. The SWOT analysis of EU structural support absorption in Lazdijai District Municipality

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. Lazdijai District Municipality has confirmed the documents of regional development planning;</li> <li>2. High intensity of EU structural support absorption (96.1 per cent);</li> <li>3. High-skilled employees dealing with ES structural project implementation;</li> <li>4. The employees dealing with EU project implementation are familiar with the aims of strategic development;</li> <li>5. EU projects are implemented engaging high-skilled consultants;</li> <li>6. Significant impact of EU structural support absorption on providing a qualitative and efficient educational system.</li> </ol>	<ol style="list-style-type: none"> <li>1. Implementation of the strategic development plan measures is inconsistent and lags behind the plan;</li> <li>2. Efficiency of EU structural support absorption is rather low;</li> <li>3. The aims of the implemented projects are oriented rather to the requirements of financial rules than to the achievement of the aims;</li> <li>4. Rarely implemented EU projects are funded by the program of Economic Growth Actions;</li> <li>5. Focus on implementation of the EU projects with higher financial intensity;</li> <li>6. Insignificant attention to the development of tourism, business, small and medium enterprises and maintenance spheres.</li> </ol>
Opportunities	Threats
<ol style="list-style-type: none"> <li>1. Backward activity spheres could be funded using the measures of the programming period of 2014-2020;</li> <li>2. At the end of the programming period of 2007-2013, the problems with EU support absorption could be identified and the best solutions provided;</li> <li>3. For the development of tourism, business, small and medium enterprises and maintenance spheres, preliminary objectives as well as a strategic direction could be designed;</li> <li>4. EU structural support could be used to promote opportunities of international investment and create more favourable infrastructure for business;</li> <li>5. Conclusions of ex-post evaluations on EU support absorption in Lithuania could be analysed in detail;</li> <li>6. More opportunities of EU support absorption evaluation could be researched and the offered methods could be applied for the evaluation of EU support absorption results in Lazdijai District Municipality.</li> <li>7. Additional sources of funding could be searched for in order to co-finance the EU projects</li> </ol>	<ol style="list-style-type: none"> <li>1. Improperly selected and implemented strategic aim achievement measures do not ensure regional development;</li> <li>2. Change of funding opportunities for the programming period of 2014-2020;</li> <li>3. Misunderstanding of the mistakes made while implementing the EU projects during the programming period of 2007-2013;</li> <li>4. Changes in the attitude of the government towards the measures of regional development, priorities;</li> <li>5. Constant changes of The Law of Public Procurement of the Republic of Lithuania burden the process of EU project implementation even further;</li> <li>6. Budget distribution for municipalities can influence the opportunities of EU project co-funding.</li> </ol>

Employees' skills can be successfully used to reduce the weaknesses or eliminate the threats. High-skilled employees can contribute to the improvement of the strategic development plan implementation, constant analysis and detection of the deficiencies appearing in the implementation measures as well as identification of more efficient ways that would enable to achieve the required rates so that the measures would be oriented to the strategic aim but not to the requirements of financing rules and indicators. For this purpose, another strength - the knowledge of the employees who deal with EU project implementation about the aims and measures of strategic development for the period 2011-2020 – can be used. Seeking for a bigger impact of EU structural support, it is necessary to pay more attention to the implementation of the program of Economic Growth Actions. If the same attention was paid to

the measures of this program as it had been done trying to ensure a qualitative and efficient educational system, the usage of EU structural support would have been more efficient and much smoother.

In the further process of EU structural support absorption in Lazdijai District Municipality, it is important not only to analyse the aims, measures and funding opportunities of the programming period of 2014-2020 with a view to accessing new EU support funds, but also to treat the mistakes critically, analyse chosen strategic directions and opportunities, promote the attraction of foreign investment.

One of the identified weaknesses is rare implementation of the EU projects with lower financial intensity. In order to eliminate those weaknesses, Lazdijai District Municipality should try to attract the opportunities of private business funding, promote business development in Lazdijai District and create more favourable business infrastructure by using the measures of EU support. In order to promote the development of tourism, business, small and medium enterprises and maintenance spheres, a Business Development Strategy could be created; this strategy could project the specific measures designed for the development of these particular spheres. Business opportunities in Lazdijai District have always been limited due to low purchasing power, geographical position of the district and poor infrastructure. However, without creation of favourable conditions, the district will face the difficulties to implement the first strategic long-term aim that enables to create value added, i.e. to ensure sustainable development of business, agriculture and tourism and increase employment.

Analysing the conclusions of current, ex-post and thematic evaluations on EU support absorption in Lithuania in detail, it can be stated that making the plans of indicators' achievement and strictly sticking to these plans, it would be possible to achieve the defined aims more purposefully, implement the objectives of the strategic development plan and properly evaluate the impact, results and products of the EU support. EU structural support for public sector is one of the most favourable measures to promote regional growth. That is why it is extremely important to use this support qualitatively, efficiently and consistently. Implemented EU projects should be used as a tool to achieve the strategic aims, but not as a tool to cover the financial gaps in the budget.

## **6. Conclusions**

Lithuania is recognised as one of the countries fast absorbing EU funds in comparison to other EU member-states. Till the end of the programming period of 2007-2013, Lithuania has been able to absorb all assigned EU funds, although the pace of EU structural support absorption lags behind the EU support absorption plan.

The biggest share of EU structural support assigned for Lithuania goes to the program of Economic Growth Actions (45.72 per cent); the aims of this program are to increase the comparative share of high value added business in Lithuanian economics, create favourable environment for small and medium business and innovations and improve economic infrastructure.

EU structural support makes a significant impact on economic, social and territorial gap reduction in European regions, improvement of transport and internet connection in remote regions; it gives an additional impulse for small and medium enterprises operating in unfavourable sectors, creates opportunities for the investment in cleaner environment, education and skills improvement, promotes investment in innovations, new products and production methods, efficient energy sources and fight with climatic changes.

EU structural support can have a negative impact if too big attention is paid to the pace of EU fund absorption but not to the qualitative benefits or efficiency. The lack of practical skills of the employees working in the national institutions that distribute EU financial support as well as the small number of the institutions cause lower level of EU structural support absorption quality and efficiency; projects for funding are selected by formally defined criteria but not by market needs which can change faster than the period of project preparation and implementation. EU support makes exceptional conditions for selected companies to compete with the ones that have not been provided with EU support.

Evaluation of the EU structural support use in Lazdijai District Municipality has revealed that EU projects in the analysed Municipality are implemented by high-skilled professionals with big experience of project implementation; skilled experts from outside are also engaged. The attitude of the Municipality towards the benefits of the implemented EU projects enables to implement present and future projects more smoothly, efficiently,

transparently. The biggest impact of the projects that have been implemented using the EU structural funds can be observed in the efficient educational system and creation of the clean, healthy and safe environment for the citizens.

Insufficient attention in Lazdijai District Municipality is paid to business promotion and employment increase. The aims of the projects as well as achievements of indicators are often matched to the requirements of the financial rules rather than linked with the aims and priorities defined in the strategic development plan. Long and complicated procurement procedures as well as the difficult process of project administration cause difficulties for the successful use of EU support.

At present, Lazdijai District Municipality focuses on the implementation of the projects with lower value added (improvement of living environment, development of education, culture and other social services) but not on development of tourism and business, small and medium business or maintenance spheres which promote creation of workplaces, encourage increase of employment and gap reduction between regions.

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